

Message Text

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ACTION EB-03

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 4770

C O N F I D E N T I A L SAN JOSE 2842

LIMDIS

E.O. 11562: GDS

TAGS: CS, EMIN, ECON

SUBJECT: ALCOA PROJECT -- VISIT OF BILLY MC NISH

REF: SAN JOSE A-116, JUNE 19, 1973

1. SUMMARY: ALCOA MANAGER, BILLY MC NISH, TOLD US AUGUST 7 HE HAS BEEN SUMMONED TO HIS HEADQUARTERS IN ORDER TO GO OVER THE COSTA RICA INVESTMENT CLIMATE WITH JOHN HARPER OF ALCOA. MC NISH SAID HARPER HAD RECEIVED "AN ADVERSE REPORT" FROM THE STATE DEPARTMENT ON THE CLIMATE HERE. WE AND MCNISH ASSUME HARPER'S WORRIES STEM FROM THE VESCO AFFAIR SINCE OVERALL ECONOMIC OUTLOOK IS GOOD.

2. ALCOA PROJECT MANAGER BILLY MCNISH INFORMED THE AMBASSADOR THE AFTERNOON OF AUGUST 7 THAT HE WILL VISIT HIS HOME OFFICE AUGUST 15 IN ORDER TO HAVE A "JUSTIFICATION" SESSION FOR THE COSTA RICA PROJECT WITH ALCOA'S JOHN HARPER. MCNISH SAID HARPER, WHO HAS NEVER BEEN PARTICULARLY ENAMORED OF THE COSTA RICA PROJECT, TOLD HIM HE THOUGHT A REVIEW WAS NEEDED IN LIGHT OF "AN ADVERSE REPORT" FROM THE STATE DEPARTMENT OF STATE REGARDING THE COSTA RICA INVESTMENT CLIMATE. MCNISH ALSO REMARKED THAT AFTER A PERIOD OF FAIRLY STRONG PRESSURE FROM THE GOCR (AND PARTICULARLY FROM CONFIDENTIAL

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FIGUERES) TO MOVE AHEAD WITH THE PROJECT, LITTLE

INTEREST HAD RECENTLY BEEN SHOWN AND PLN PRESIDENTIAL CANDIDATE ODUBER HAD NOT TAKEN UP AN OFFER FOR TALKS WHICH COULD HAVE LED TO EARLY CONTRACT NEGOTIATIONS.

(THIS LULL FITS IN WITH MCNISH'S PREFERENCE FOR DELAYING NEGOTIATIONS UNTIL AFTER ELECTIONS.)

3. COMMENT: WE TOLD MCNISH THAT WE WERE UNAWARE OF ANY SPECIFIC "ADVERSE" REPORT WHICH MIGHT HAVE BEEN MADE AVAILABLE TO HARPER. RATHER, WE AGREED WITH MCNISH

THAT PERHAPS HARPER HAD IN MIND THE VESCO CASE AND ITS IMPLICATIONS FOR U.S. - COSTA RICAN RELATIONS AND FOR THE INVESTMENT CLIMATE IN GENERAL. RE. THE ECONOMIC OUTLOOK FOR COSTA RICA, WE TOLD MCNISH WE WERE REASONABLY OPTIMISTIC, E.G., WITH MUCH IMPROVED EXPORT EARNINGS, THE CRISIS ATMOSPHERE DERIVING FROM LAST YEAR'S BALANCE OF PAYMENTS PROBLEMS IS COMPLETELY MISSING THIS YEAR.

4. IN OUR VIEW MOST TROUBLESOME ECONOMIC PROBLEM AREA TODAY IS INFLATION, WITH AN ANNUAL RATE NOW ESTIMATED BY US AT AROUND 11-12 PERCENT. THE POLITICAL SCENE AT PRESENT IS ALSO REASONABLY TRANQUIL, LARGELY BECAUSE OF THE DISARRAY OF THE OPPOSITION. HOWEVER, WIDE-SPREAD RUMORS OF CORRUPTION IN GOVERNMENT--ALMOST ALWAYS INVOLVING VESCO IN ONE WAY OR ANOTHER--IS A FACTOR WHICH CERTAINLY DOES AFFECT THE INVESTMENT CLIMATE, BUT THIS FACTOR SEEMS TO BE AN UNAVOIDABLE OFFSHOT OF THE POLITICAL CAMPAIGN, THE LAME DUCK NATURE OF THE FIGUERES ADMINISTRATION AND CHARACTER AND MODE OF OPERATIONS OF FIGUERES HIMSELF. WE DO NOT READ IN MCNISH'S TRIP AN IMMEDIATE THREAT TO ALCOA'S CONTINUING INTEREST IN COSTA RICA. HOWEVER, AS MCNISH POINTED OUT, THE COSTA RICAN PROJECT IS IN COMPETITION WITH OTHER POSSIBILITIES ELSEWHERE.

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